

Unknown

From: Platenkamp, Roelof RJ NAM-EPE-C
Sent: 29 January 2004 17:10
To: Van De Vijver, Walter SI-MGDWV
Subject: RE: Conf:the two notes

Sensitivity: Confidential

Walter,

apologies for late reaction...all day in EPELT meeting, non-stop.

First of all, before the note to Excom was finalised there had already been lengthy discussions and some pre-editing/softening had been done (this was in the handover period of Linda and Lorin). For instance we had discussions about Abu Dhabi, Nigeria, and Gorgon with the RBDs and RBA beforehand, as they owned the numbers, and they found our (EPB-P) initial recommendations too hard.

The key slide from the presentation was the following; and the difference between the **proposed data**, and the outcome of the Excom meeting is large! By the way, in the meeting we agreed to exclude Iran, but the reserves appeared in the press release....

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1999 Proved Reserves Replacement Ratio

	Initial Data	Proposed Data	Excl. A&D	Incl. AOSP	Initial AOSP
Oil/NGL	71%	46%	84%	118%	132%
GAS	31%	23%	68%	23%	23%
Total [boe]	56%	37%	78%	82%	92%

For completeness sake I have added the presentation prepared for the Excom, not all slides were shown; The Nigeria and Abu Dhabi slides I think are quite telling.



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I hope this helps a bit...maybe we should have a face to face meeting to discuss these items..

Kind regards,
Roelof

Post scriptum:

To address the specific points in your e-mail:

The outcome of the reserves session was that the reserves additions were supported:

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Ehra - based on the results of the initial exploration well and a subsequent appraisal well if I recall correctly. Based on the Group Guidelines at the time booking of these reserves was supported. A notional development plan was there based on the technical work done in Houston. (NB Bonga Reserves were also booked well in advance of FID).

The comment on UFC was not the reason to book, just demonstration of the impact.

EAEAJ volumes for Nigeria Shallow Offshore were booked.

SPDS - during 1999 based on the Nigeria Slide (see VGs) there was a very long discussion on proved reserves for SPDS. In the end a reserves moratorium was the only thing that could be achieved - i.e not booking the add proved SPDC were proposing at the time and not excepting future additions. Other option, debooking or partial debooking offsetting increased volumes in Ehra and EAEAJ were considered. Discussed with RBA etc.

The Abu Dhabi proposed debooking was NOT supported - the proposed two year delay proposal for growth was best achievable at the time - alternative was to use flat production profile upto licence expiry. Disc with RBA

The deduction of USA own use was not supported by ExCom - with the new GPafS definition in 2000 these volumes were deducted the year thereafter.

Gorgon volumes were not added

Canada Royalties were added

-----Original Message-----

From: Van De Vijver, Walter SI-MGDWV
Sent: Wednesday, January 28, 2004 6:42 PM
To: Platenkamp, Roelof RJ NAM-EPE-C
Subject: RE: Conf:the two notes
Sensitivity: Confidential

Roelof,

Scanning through the first note, I can not actually see any clear recommendations for de-booking and see very few listed in the final table (whilst also not being sure whether those negative revisions were actually done) I find the story on booking Ehra to manage unit F&D cost very scary. Can you clarify?

Thanks

-----Original Message-----

From: Platenkamp, Roelof RJ NAM-EPE-C
Sent: 28 January 2004 17:09
To: Van De Vijver, Walter SI-MGDWV
Subject: Conf:the two notes
Sensitivity: Confidential

Walter,

attached are the reserves note I presented to Excom in January 2000, with serious recommendations, and the presentation to Excom in June 2000, which demonstrated some serious flaws in the planning process, leading to optimistic production profiles and reserves.

Kind regards,
Roelof

<< File: ExCom_reserves_update.doc >> << File: Capital Allocation First Look 2000.PPT >>

The Capital Allocation file is very large, key slides are 3,4,5,7,9,10,11,14,15....

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Key Proved Reserves Messages

- **'99 Proved Oil/NGL and Gas Replacement Ratio 37%**
 - Low after three years high
 - Challenge to communicate externally
 - upside AOSP and Iran & excluding divestments
- **Unblocking Nigeria is Key**
 - Production Performance and Proved Reserves additions
- **2000 Scorecard**
 - SPDC Impact on proved reserves target equates to a 20% loss (LE 62%)
- **BP'99 2000-2004 Proved Reserves**
 - 25% additions promised by SPDC are unlikely to materialise
- **Need to resolve reporting of Innovative Contracts**
 - Booking Pseudo Reserves "Buy-backs"



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EXCOM 1999 Proved Reserves
31st January 2000

2000 EP Scorecard (Including D/S Gas)

Business Result	Plan	Below	Mid-Point	Outstanding	Weight %	Actual (or LE)	Actual Normalized Score	Normalized Weighted Score
ROACE (%)	15.6%	7.7%	15.6%	23.4%	100%	15.6%	1.00	1.00
Indicative oil price for ROACE	\$10/b		\$14/b	\$18/b				A = 1.00
Business Performance								
Business Performance	Plan	Below	Mid-Point	Outstanding	Weight %	Actual (or LE)	Actual Normalized Score	Normalized Weighted Score
Core Measures								
Opex & Depreciation (\$ mln)	6830	7170	6830	6490	20%	6830	1.00	0.20
Production Oil / NGL (k/b/d)	2325	2246	2310	2376	10%	2310	1.00	0.10
Gas Sales (mrd Nm ³ /y)	89.8	86.1	89.3	92.3	10%	89.3	1.00	0.10
Proved Reserves Replacement (Excluding divestments)	80%	50%	80%	110%	10%	80%	1.00	0.10
Performance vs. Competitors (Self-appraisal)	0.0		1.0	2.0	10%	1.00	1.00	0.10
Additional Measures								
HSE, HR and SFR (Self-appraisal)	0.0		1.0	2.0	20%	1.00	1.00	0.20
Milestones	0.0		1.0	2.0	20%	1.00	1.00	0.20
Total Performance	0.0		1.0	2.0				B = 1.00
EP Score								
Business Performance Factor (BPF)							0.5*A + 0.5*B = 1.00	
But, if A or B equal zero, Total EP Score will also be zero								

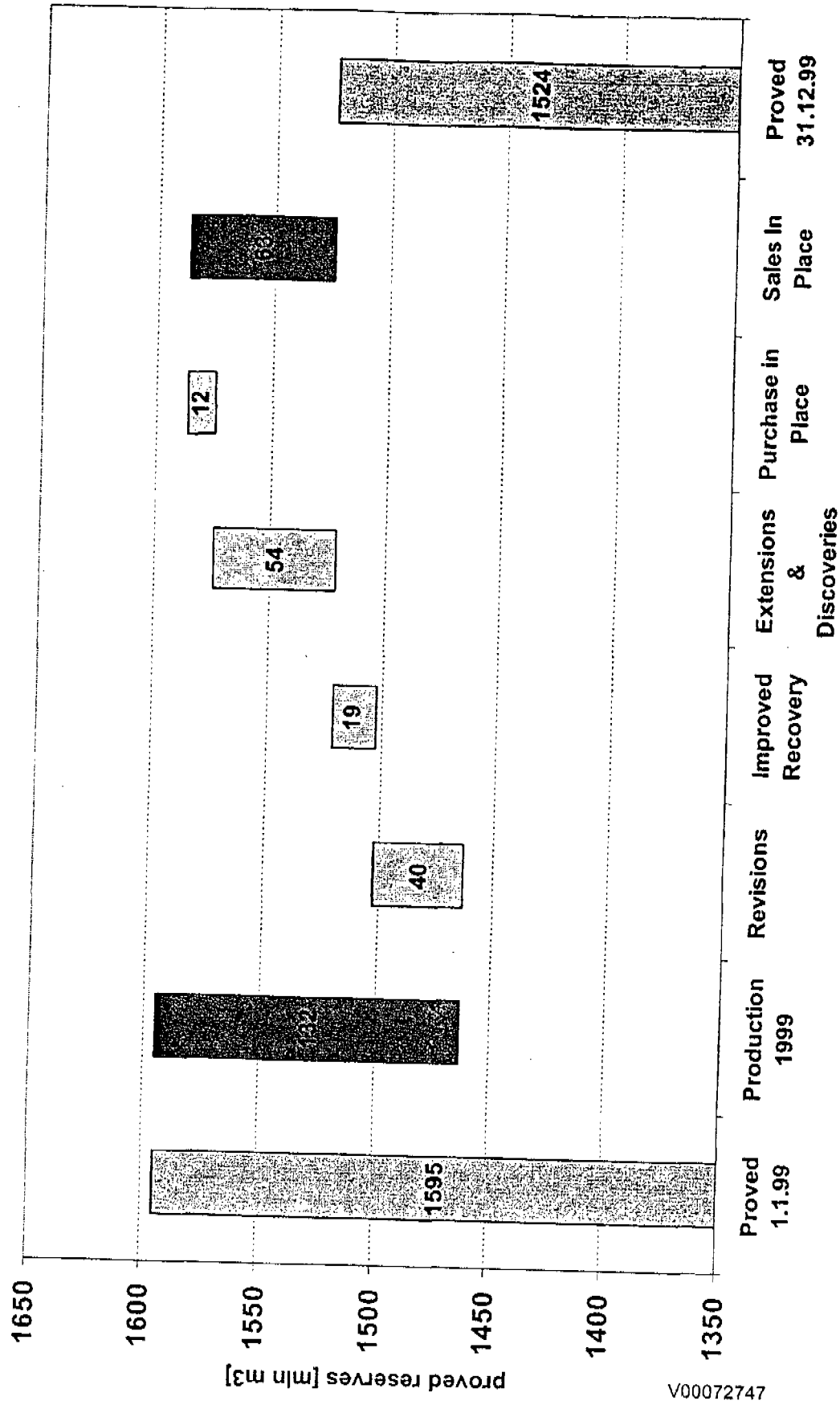
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EXCOM 1999 Proved Reserves
31st January 2000

1999 Changes to Proved Oil/NGL Reserves

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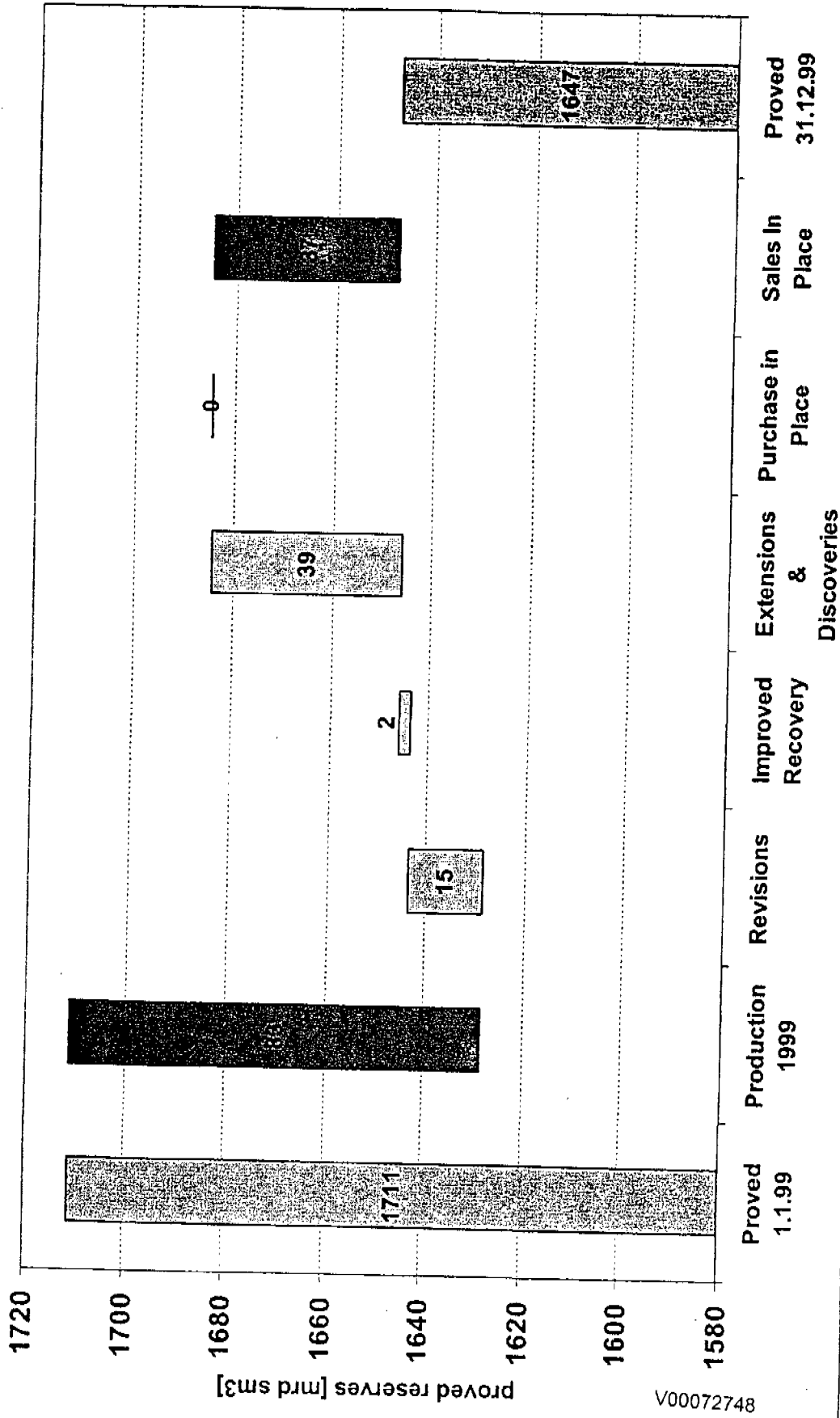
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EXCOM 1999 Proved Reserves
31st January 2000

1999 Changes to Proved Gas Reserves

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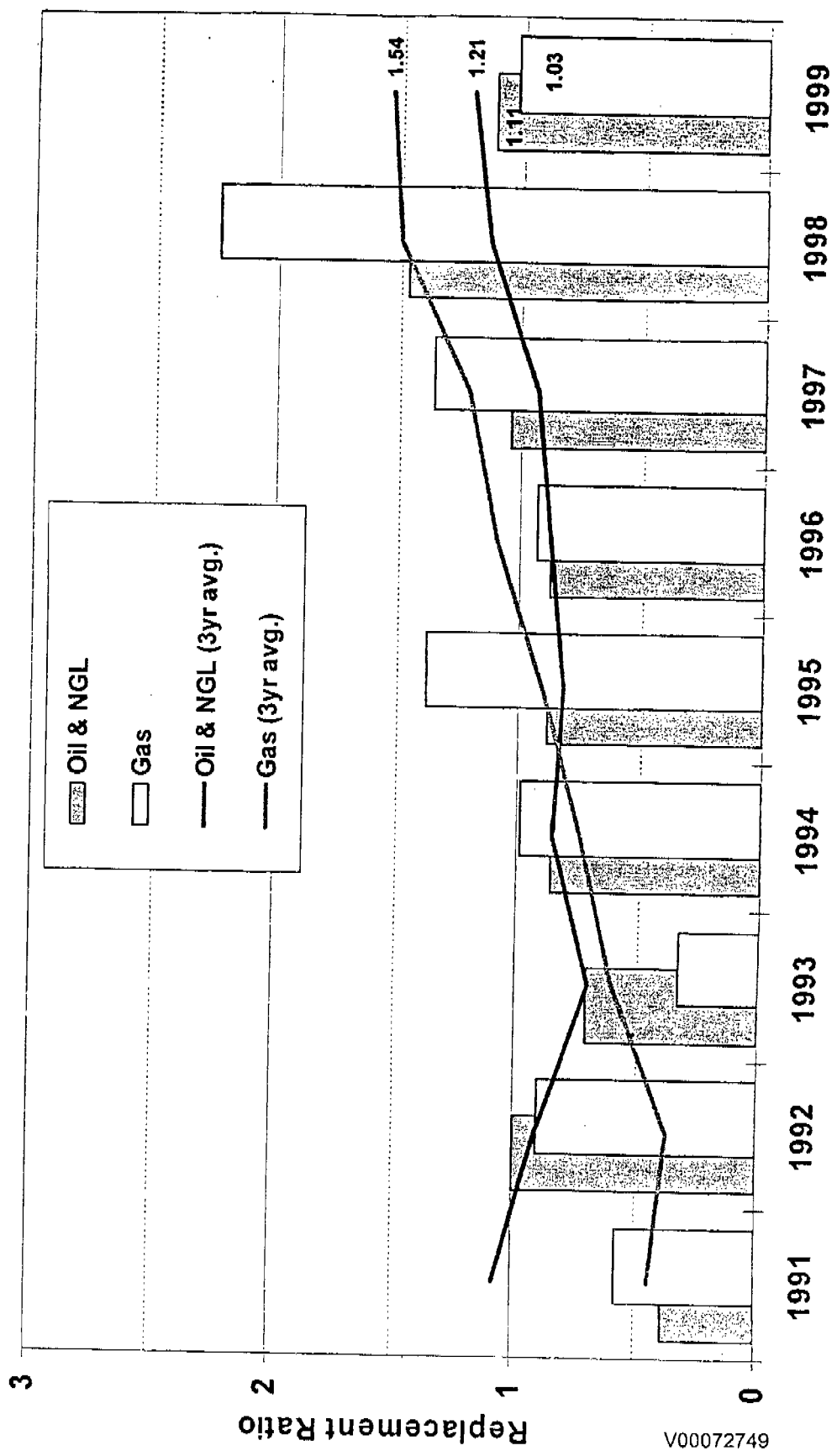
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EXCOM 1999 Proved Reserves
31st January 2000

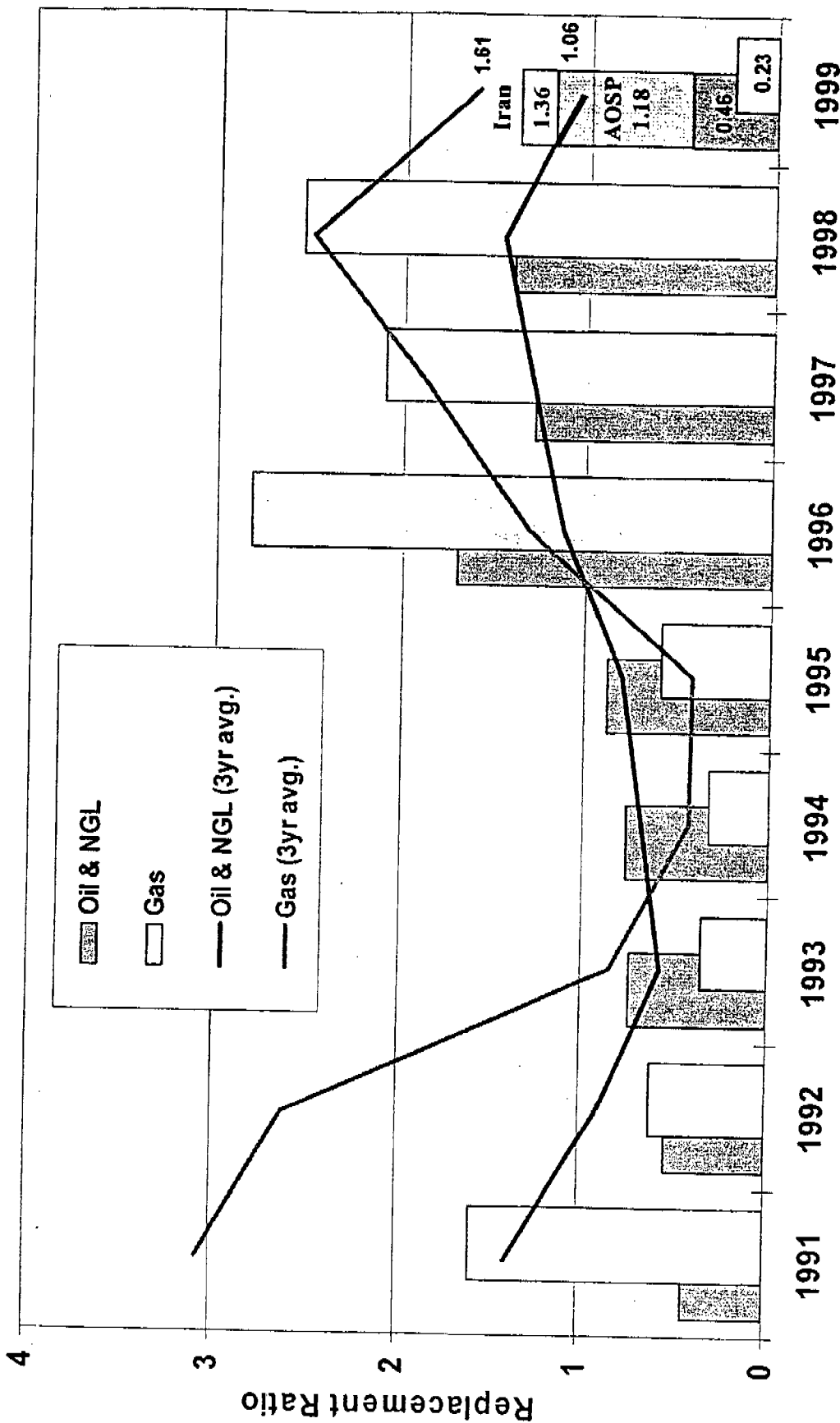
Proved Developed Replacement Ratio's (Group)



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Proved Replacement Ratio's (Group)



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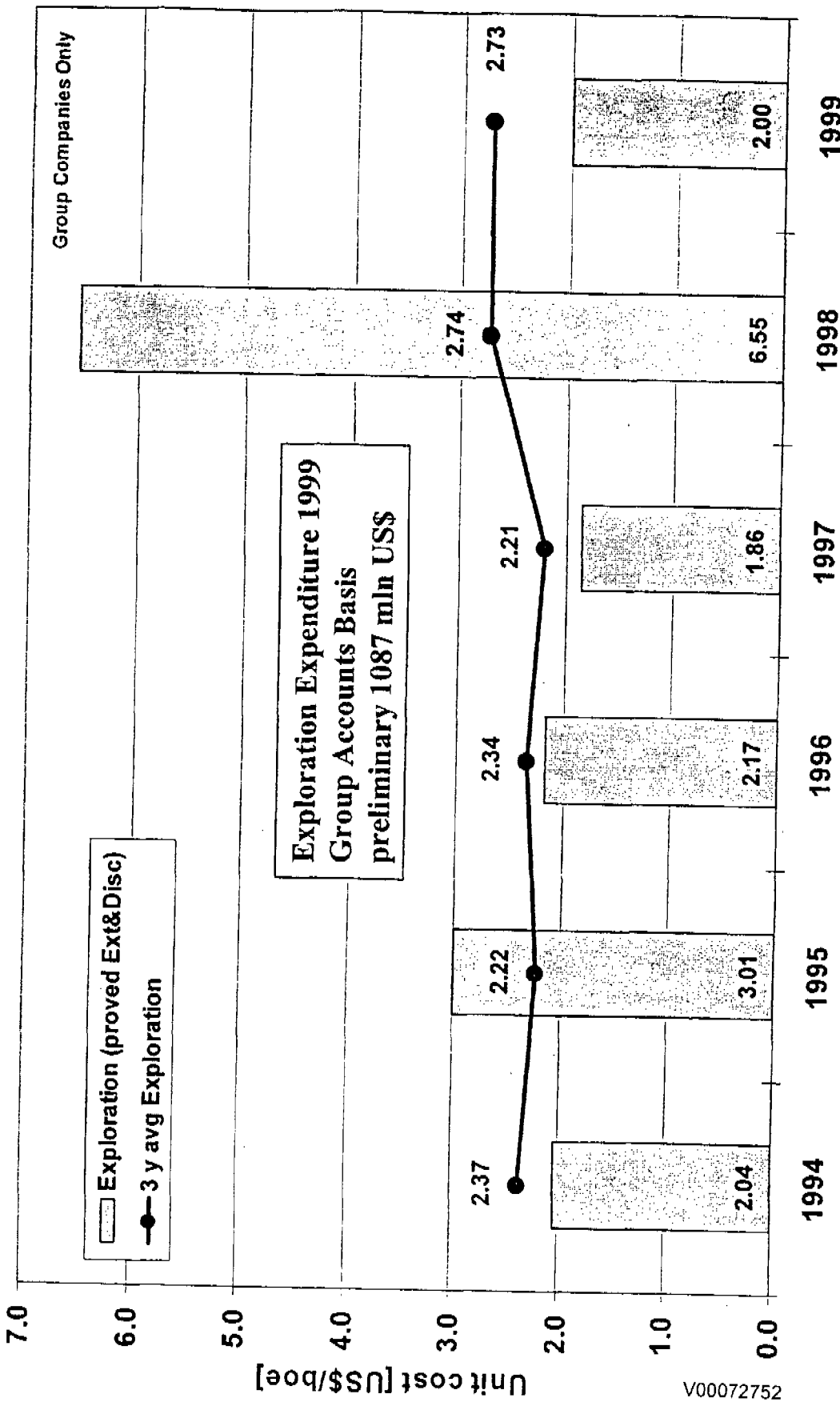
1999 Proved Reserves Replacement Ratio

	Initial Data	Proposed Data	Excl. A&D	Incl. AOSP	Incl. AOSP & Iran	+AOSP +Iran Ex A&D
Oil/NGL	71%	46%	84%	118%	136%	175%
GAS	31%	23%	68%	23%	23%	68%
Total [boe]	56%	37%	78%	82%	94%	135%

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Unit Finding Cost Proved Reserves



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Proved Oil/NGL Reserves Issues

- **Nigeria SPNEPO - Deepwater**
 - Book 1999 Ehra discovery (Exxon block) + 24.0
- **Nigeria SPDC - Shallow Offshore**
 - Book EA/EJA Alternative Funding/FID + 30.0
- **Nigeria SPDC - Onshore**
 - Do not book proposed increase MOU - 50.0
 - Limit plateau proved forecast upto 1,400 b/d
 - Licence expiry 30 June 2019
- **Abu Dhabi**
 - Reduce proved reserves - 6.5
 - Delay growth scenario by 2 years
 - Licence expiry Jan 2014

Total - 2.5 mln m3

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Proved Gas Reserves Issues

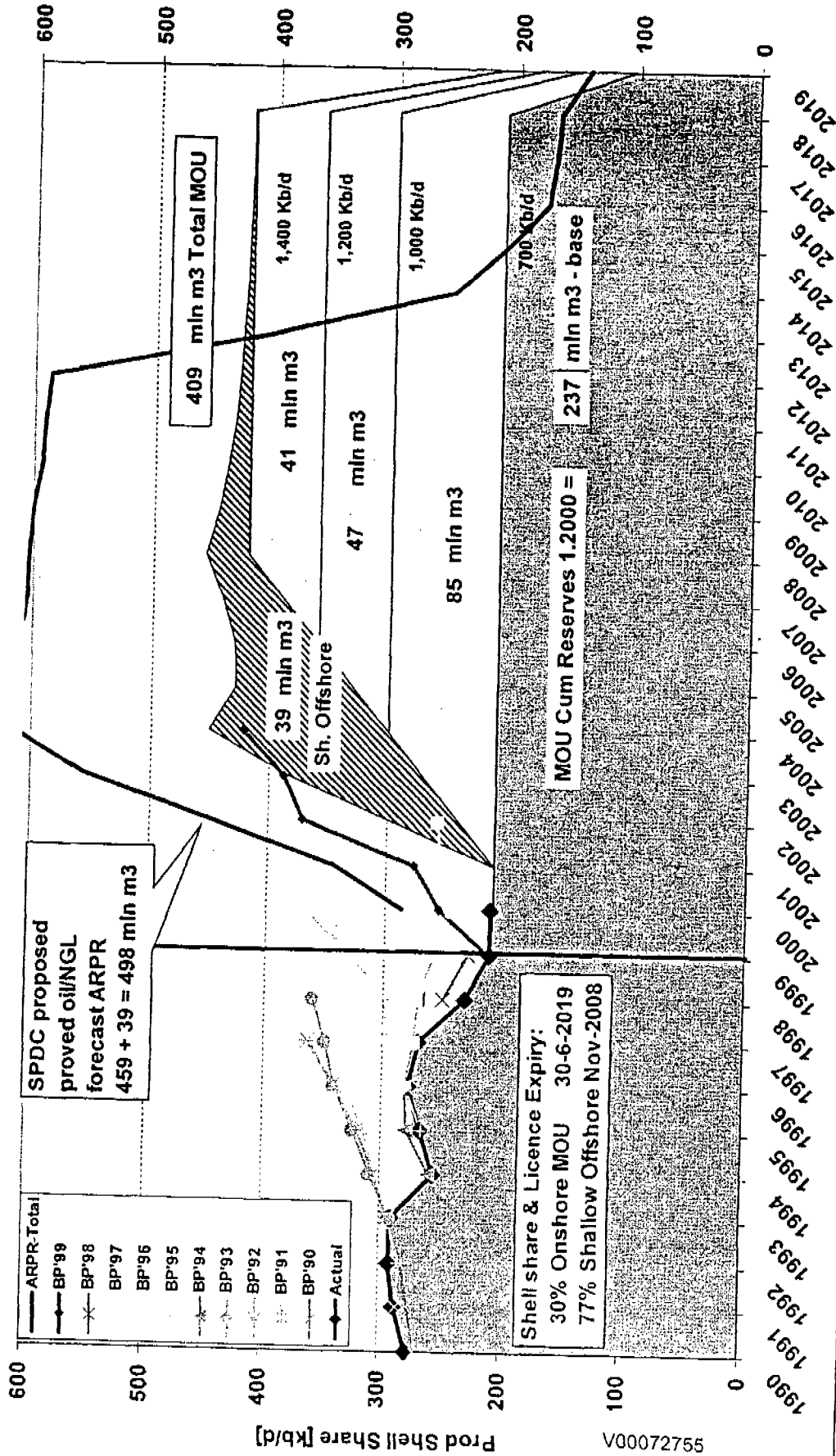
• Canada					
- Include Gas Royalties in Cash in line with Group Guidelines					+ 13.8
• Australia					
- Do not book increase Gorgon (20%) Increase market take-up					+ 0.0
• USA					
- Exclude own use gas volumes in line with Group Guidelines					
Shell Oil	-	1.9 %		-	1.8
Area	-	75 %		-	4.1
Altura	-	7 %		-	0.6
					<hr/>
					- 6.5
					+ 7.3 mrd sm3
					<hr/>
					Total



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Nigeria SPDC - Proved Forecast



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31st January 2000



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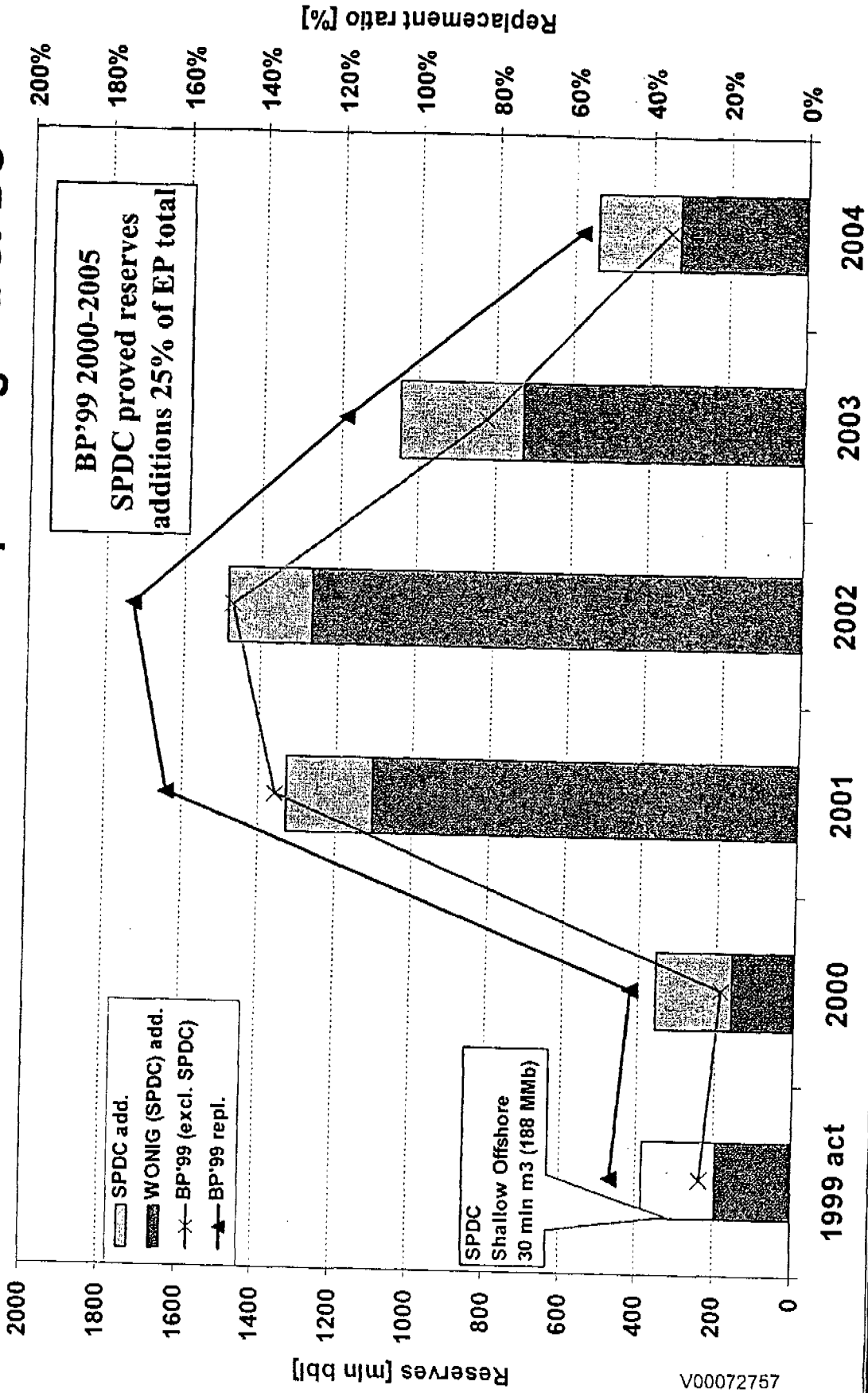
BP'99 - SPDC Reserves Management

- **SEC Reserves Audit - August 1999**
 - Audit highlighted the issue of proved reserves forecast
 - Proved oil forecast assumes doubling of SPDC production levels
 - If growth does not materialise significant risk of de-booking proved reserves
 - Formal licence extension beyond 2019 would mitigate issue.
- **SPDC BP'99 resource plan repeatedly challenged**
 - Not taken up by SPDC at the time
 - Issue only fully recognized at end 1999

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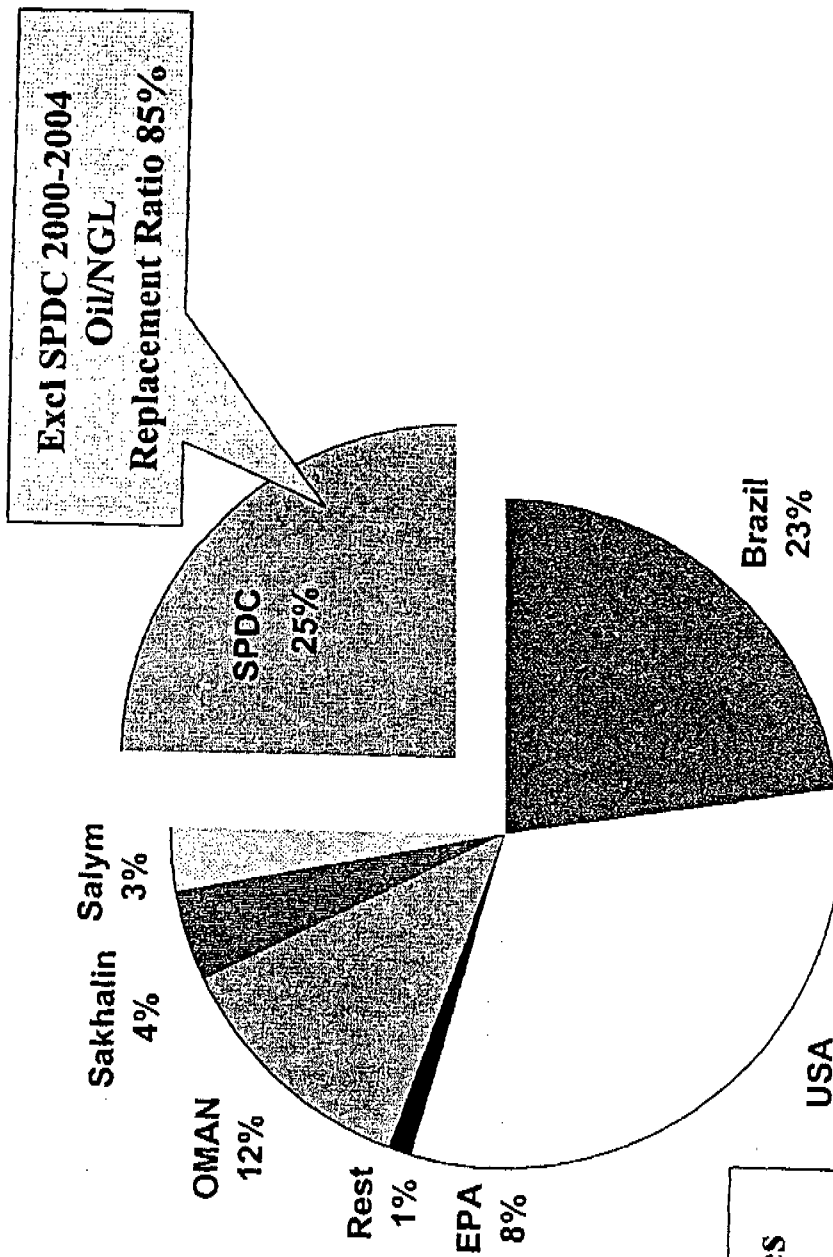
Proved Repl. Ratio BP'99 - Impact Nigeria SPDC



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EXCOM 1999 Proved Reserves
31st January 2000

BP'99 Proved Reserves Additions 2000-2004



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Total Proved Reserves
Addition 756 mln m3
(4755 mln bbl)
112% replacement ratio

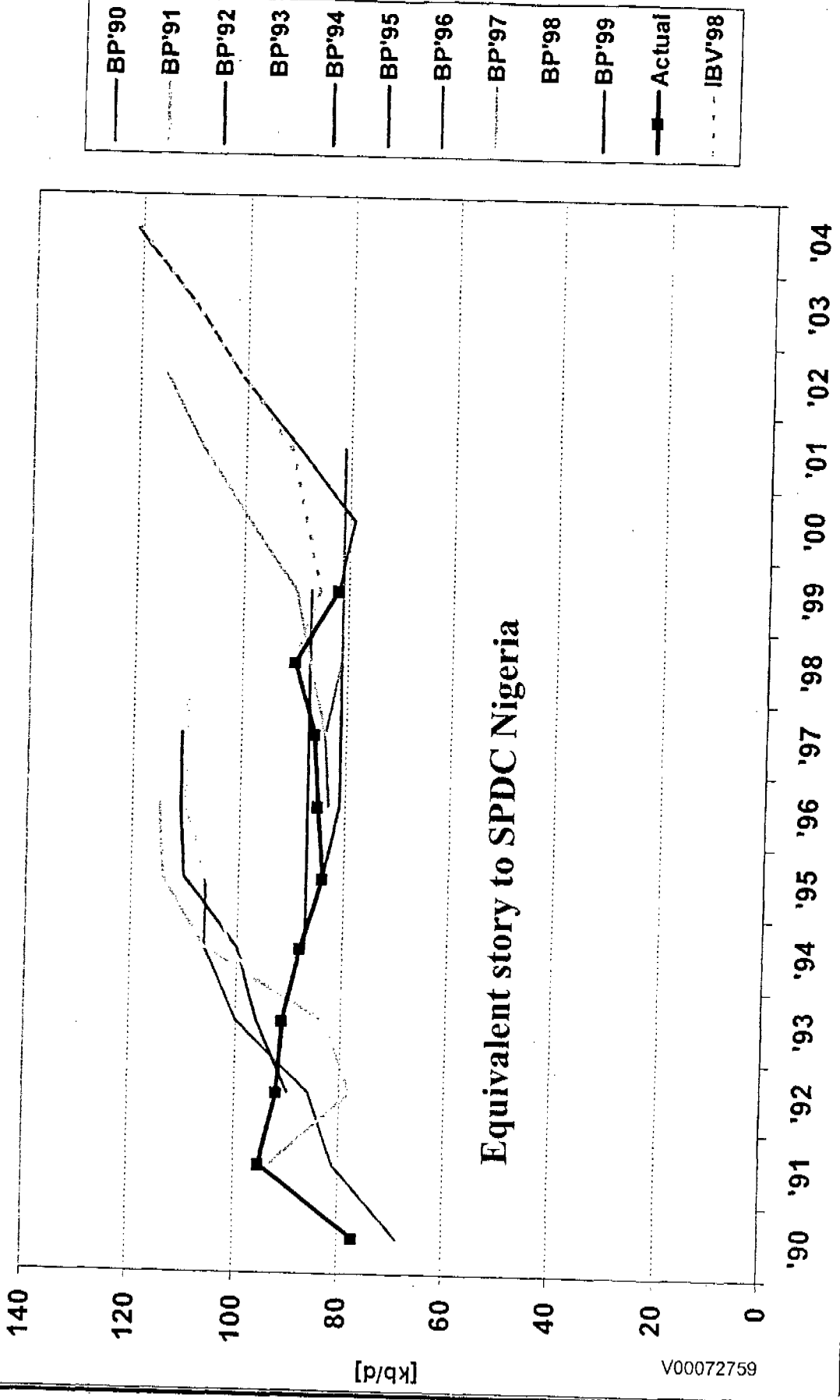
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EXCOM 1999 Proved Reserves
31st January 2000

Abu Dhabi Oil Production

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Equivalent story to SPDC Nigeria

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Treatment Requested

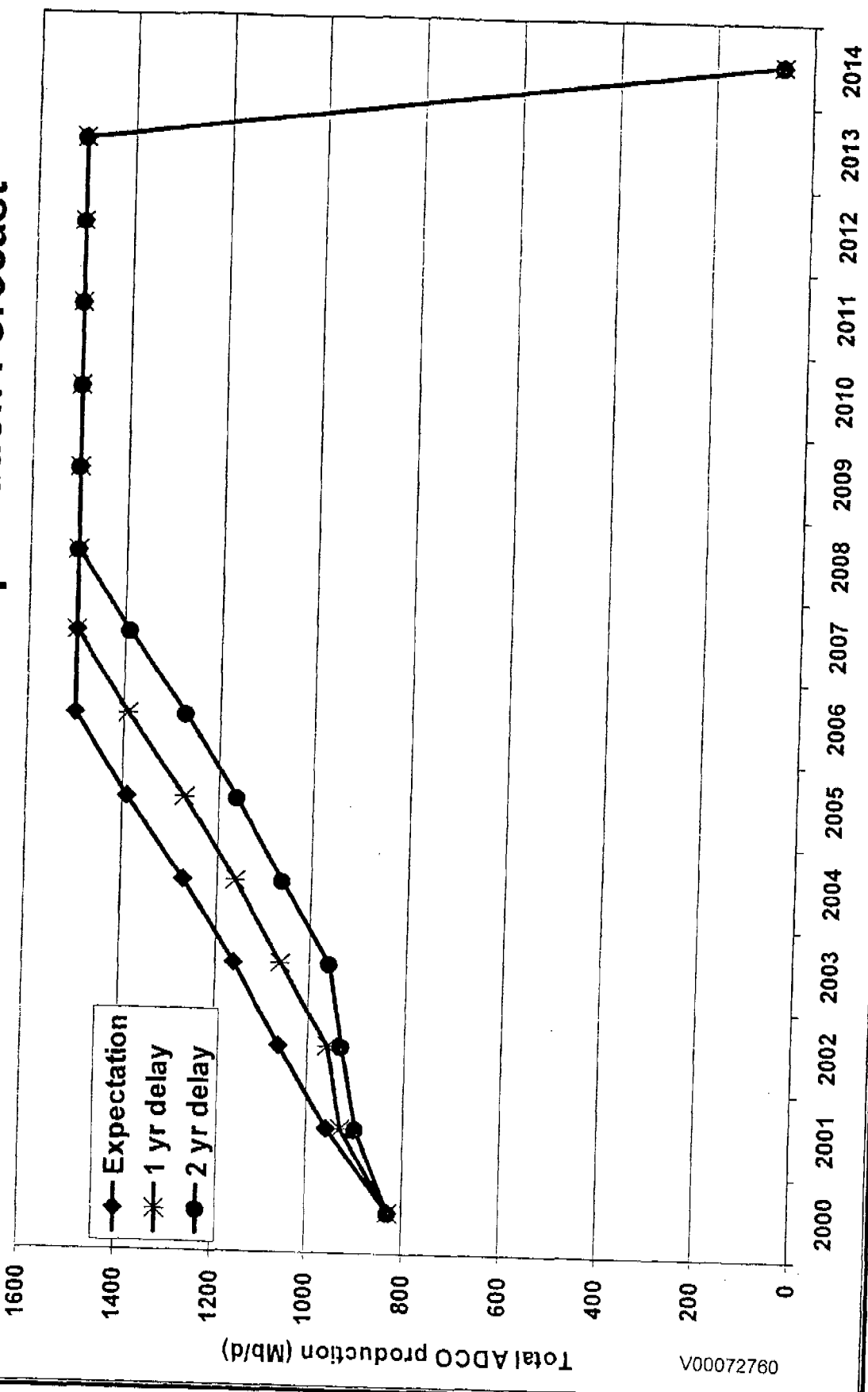
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EXCOM 1999 Proved Reserves
31st January 2000

Abu Dhabi Proved vs Expectation Forecast

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ARPR versus Nov'99 Monthly LE

Country	Note nr.	GAS [mrd sm3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Netherlands		1.7	0.3	2.4
UK		3.0	9.3	3.1
Norway		25.3	26.8	26.6
Denmark		0.8	0.8	-2.7
Germany		2.1	0.6	1.3
Rest of EPE		0.4	0.4	0.1
USA		-6.5	-3.9	-4.0
Canada		15.7	-3.1	0.0
Total EPN		42.6	31.1	26.8

Country	Note nr.	OIL/NGL [min m3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Oman (PDO/GISCO)		-12.4	2.9	6.0
Egypt		2.9	-1.8	-1.7
Syria		0.0	0.0	0.0
Russia		1.3	1.3	2.7
Pakistan		-1.7	0.0	3.0
Rest of EPM		-12.1	2.4	10.0
Total EPM		18.8	24.3	26.8

Country	Note nr.	GAS [mrd sm3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Australia		-9.0	6.7	11.4
Brunel		3.7	0.0	0.7
New Zealand		1.9	1.7	-0.6
Philippines		-19.8	-19.8	-21.8
Malaysia		7.3	7.5	3.8
Thailand		-0.1	0.5	0.1
China		0.0	0.0	0.0
Rest of EPA		0.0	0.0	0.0
Total EPA		16.6	6.7	11.2

Country	Note nr.	OIL/NGL [min m3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Nigeria (SPDC)		4.7	0.3	0.3
Nigeria (SNEPCO)		-1.6	0.0	0.0
Gabon		1.1	1.1	3.8
Venezuela		0.0	0.0	0.0
Argentina		4.2	1.4	4.1
DR Congo (Zaire)		18.9	31.6	34.5
Rest of EPG		63.4	73.3	46.6
Total EPG		61.3	71.9	60.6

Country	Note nr.	GAS [mrd sm3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Netherlands		0.4	0.0	0.0
UK		-3.1	2.4	5.6
Norway		-0.7	1.1	1.4
Denmark		10.4	3.8	4.0
Germany		-0.3	0.0	0.0
Rest of EPE		0.0	0.0	0.0
USA		-29.3	-28.5	-34.4
Canada		-4.8	-11.2	-10.6
Total EPN		-27.3	-32.4	-34.1

Country	Note nr.	OIL/NGL [min m3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Oman (PDO/GISCO)		23.5	21.9	21.1
Egypt		0.3	1.8	3.3
Syria		1.1	1.5	0.0
Russia		-1.0	0.0	0.0
Pakistan		-5.2	-0.9	2.4
Rest of EPM		18.8	24.3	26.8

Country	Note nr.	GAS [mrd sm3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Australia		3.6	0.9	3.4
Brunel		9.1	6.1	7.8
New Zealand		1.6	0.0	-0.1
Philippines		-3.6	-3.6	-4.1
Malaysia		2.2	1.7	1.5
Thailand		2.5	1.4	2.1
China		1.1	0.2	0.6
Rest of EPA		0.0	0.0	0.0
Total EPA		16.6	6.7	11.2

Country	Note nr.	OIL/NGL [min m3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Nigeria (SPDC)		30.5	55.8	43.0
Nigeria (SNEPCO)		21.0	17.5	11.9
Gabon		4.9	0.0	0.6
Venezuela		-1.5	-2.2	-1.8
Argentina		-0.2	1.2	-2.6
DR Congo (Zaire)		-1.0	0.0	-4.1
Rest of EPG		-0.4	0.0	-0.4
Total EPG		63.4	73.3	46.6

Country	Note nr.	GAS [mrd sm3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Netherlands		1.7	0.3	2.4
UK		3.0	9.3	3.1
Norway		25.3	26.8	26.6
Denmark		0.8	0.8	-2.7
Germany		2.1	0.6	1.3
Rest of EPE		0.4	0.4	0.1
USA		-6.5	-3.9	-4.0
Canada		15.7	-3.1	0.0
Total EPN		42.6	31.1	26.8

Country	Note nr.	OIL/NGL [min m3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Oman (PDO/GISCO)		-12.4	2.9	6.0
Egypt		2.9	-1.8	-1.7
Syria		0.0	0.0	0.0
Russia		1.3	1.3	2.7
Pakistan		-1.7	0.0	3.0
Rest of EPM		-12.1	2.4	10.0
Total EPM		18.8	24.3	26.8

Country	Note nr.	GAS [mrd sm3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Australia		-9.0	6.7	11.4
Brunel		3.7	0.0	0.7
New Zealand		1.9	1.7	-0.6
Philippines		-19.8	-19.8	-21.8
Malaysia		7.3	7.5	3.8
Thailand		-0.1	0.5	0.1
China		0.0	0.0	0.0
Rest of EPA		0.0	0.0	0.0
Total EPA		16.6	6.7	11.2

Country	Note nr.	OIL/NGL [min m3]		
		ARPR actual	NOV'99 LE	BP'99 Target
Nigeria (SPDC)		4.7	0.3	0.3
Nigeria (SNEPCO)		-1.6	0.0	0.0
Gabon		1.1	1.1	3.8
Venezuela		0.0	0.0	0.0
Argentina		4.2	1.4	4.1
DR Congo (Zaire)		18.9	31.6	34.5
Rest of EPG		63.4	73.3	46.6
Total EPG		61.3	71.9	60.6

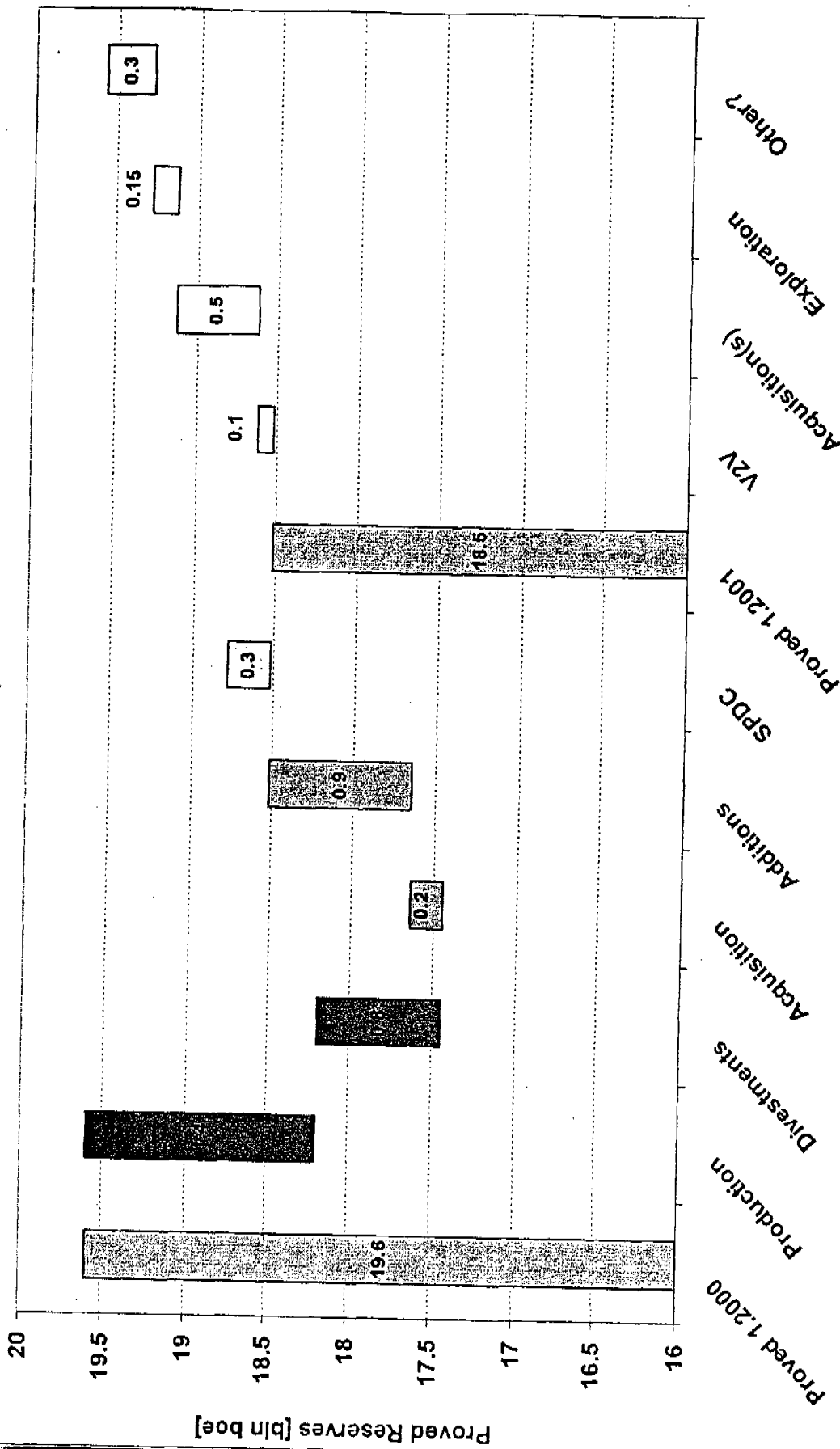
NOV LE'99 not accurately reflecting final reserves position ARPR'2000

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EXCOM 1999 Proved Reserves
31st January 2000

Proved Reserves Replacement 2000

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